

MPC WEEKLY FRIDAY REPORT

DATE: MAY 21, 2021

TO: DIRECTORS & MEMBERS

FROM: KEVIN ABERNATHY, GENERAL MANAGER

PAGES: 5

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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	-\$1.1550	\$1.5700	WEEKLY CHANGE	-\$0.0050	\$1.8700
Barrels	-\$1.1225	\$1.6075	WEEKLY AVERAGE	+\$0.0165	\$1.8535
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 05/15/21	
Blocks	-\$1.1590	\$1.6135	DAIRY MARKET NEWS	W/E 05/21/21	\$0.6475
Barrels	-\$0.0925	\$1.6375	NATIONAL PLANTS	W/E 05/15/21	\$0.6523
				PRIOR WEEK ENDING 05/08/21	
				NAT'L PLANTS	\$1.2322 16,723,274
				NAT'L PLANTS	\$1.2177 18,702,651

CALIFORNIA FEDERAL MILK MARKETING ORDER PRICE PROJECTIONS

PRICE PROJECTIONS	CLASS I ACTUAL (RANGE BASED ON LOCATION)	CLASS II PROJECTED	CLASS III PROJECTED	CLASS IV PROJECTED
MAY 21 EST	\$18.70 - \$19.20	\$16.34	\$18.95	\$16.33
LAST WEEK	\$18.70 - \$19.20	\$16.24	\$18.88	\$16.21



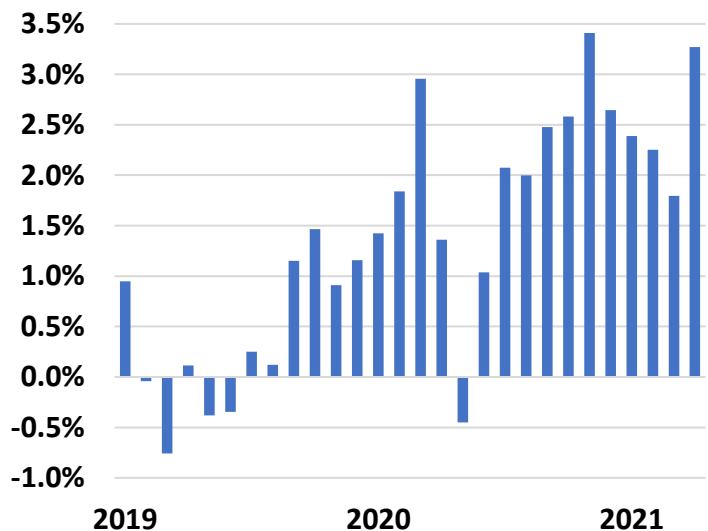
Milk, Dairy and Grain Market Commentary

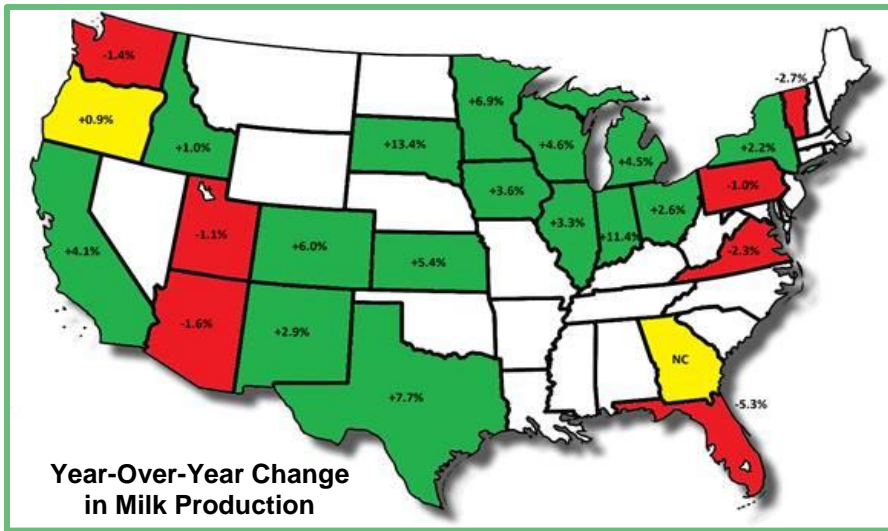
By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

Milk & Dairy Markets

The nation is awash in milk. U.S. milk production reached 19.3 billion pounds in April, up 3.3% from a year ago. Output surged in the Midwest, Plains states, and California. Cheered on by high Class III prices, dairy producers continued to add cows. USDA revised upward its estimate of the March dairy herd, and the new figures show that dairy producers added 13,000 milk cows in February, 14,000 in March, and 16,000 in April. At 9.49 million head, the dairy herd has not been this large since 1994. We're milking 113,000 more cows than we did a year ago. High feed costs may deter further expansion, but with that kind of cow power, the industry

YOY Change in U.S. Milk Production



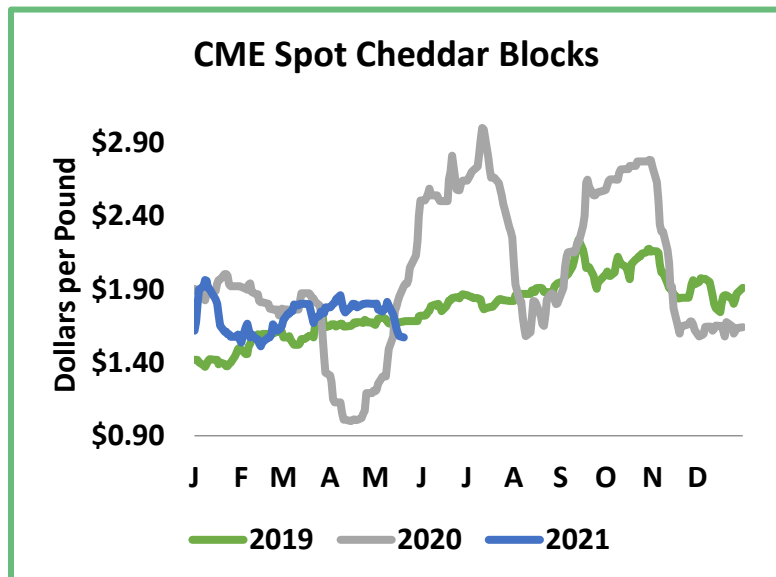
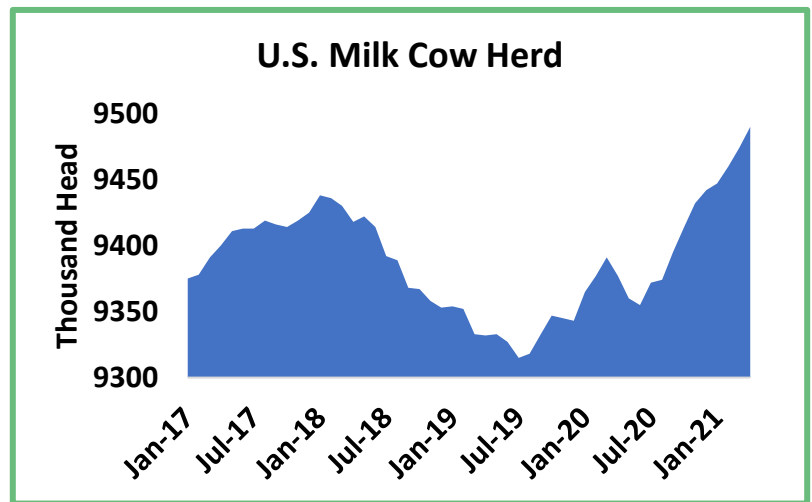


is sure to keep milk production well above prior-year levels for months to come. May output is likely to impress. Amid drought in the West, cattle are comfortable in dry pens, and the weather is unseasonably cool. It's hot in the Midwest and Northeast, so milk yields are starting to slip from their seasonal peak.

The combination of formidable milk output and new vats is adding up to a lot of cheese. Processors tell USDA's *Dairy Market News* that retail demand is solid, and cheese

slices are moving well as grilling season begins. But foodservice orders are starting to slacken in the West, as buyers have finished restocking after their Covid hiatus. Heavy supplies weighed on the CME spot markets this week. Cheddar blocks plummeted 15.5¢ to a three-month low at \$1.57 per pound. Barrels fell 12.25¢ to \$1.6075. The selloff in the cheese market dragged nearby Class III futures down too. June Class III settled at \$18.13 per cwt., \$1.23 lower than last Friday.

Spot nonfat dry milk (NDM) slipped 0.25¢ to \$1.2975. Domestic demand is so-so, but exports are strong. Mexico is buying aggressively. U.S. milk powder is priced to move as global skim milk powder (SMP) values edge upward. SMP rallied 0.7% at the Global Dairy Trade (GDT) auction on Tuesday, and is now equal to NDM at roughly \$1.67 per pound.

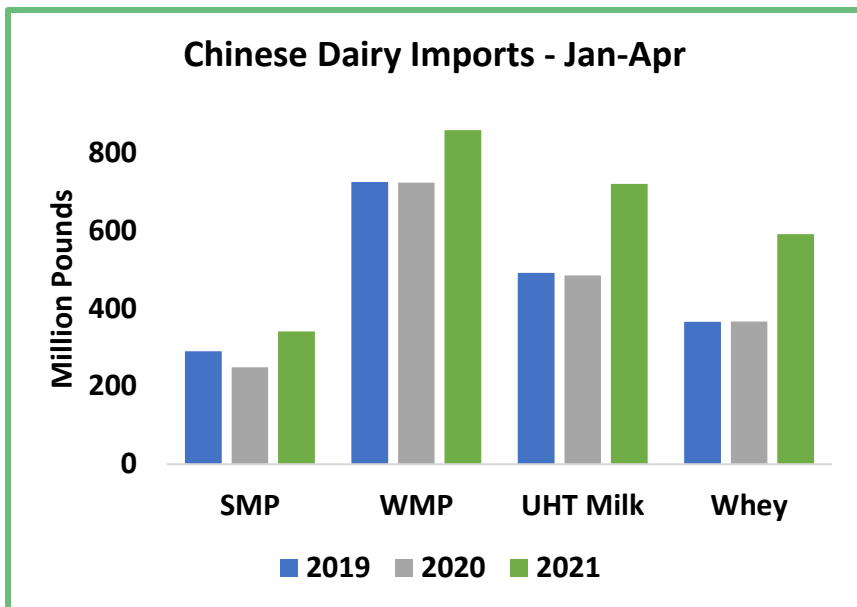


CME spot butter lost a half-cent this week and closed at \$1.87, on the high end of the recent trading range. Foodservice demand varies widely but is generally improving. Retail orders for butter are lackluster. With both butter and milk powder losing ground in Chicago, Class IV values finished mostly lower this week. However, the May contract rallied 12¢ to \$16.33.

While the rest of the dairy complex retreated, whey advanced. CME spot whey powder added a half-cent this week and reached 64.5¢. Demand for high-protein whey products remains lofty, leaving less whey for

the drier even as cheese output rises. Strong exports are also helping to keep U.S. whey inventories in check.

China imported more than 146 million pounds of whey in April, 70% more than they did a year ago. The United States accounted for 35% of the total, while Belarus, Turkey, and the European Union gained market share. China is aggressively importing dairy of all types. In the first four months of the year, China imported record-breaking volumes of cheese, butter, whey powder, ultra-high temperature (UHT) fresh milk, and SMP. China's whole milk powder imports fell short of the sky-high volumes brought ashore in January through April 2014, but they were far greater than all other years. China's voracious appetite is helping to keep global dairy product inventories in check despite rising milk production.



Grain Markets

Dust is flying in the Corn Belt as farmers plant row crops at a heady pace. As of last weekend, they had planted 80% of the corn crop and 61% of soybeans. Farmers should finish most of their fieldwork just in time for a nice, soaking rain. That dampened bulls' enthusiasm in the soy complex. July soybeans settled at \$15.2625 per bushel, down 57.75¢ this week. But corn just kept climbing, buoyed by a steady stream of new export sales to China. July corn closed at \$6.595, up 15.25¢.



Workplace COVID-19 Vaccination Clinics Now Available

By Kevin Abernathy, General Manager

Kevin@MilkProducers.org

Dairy farmers may be able to host a free COVID-19 vaccination event at their farm for their employees, according to an announcement yesterday by the Governor's office. A [new online resource](#) intends to streamline workplace clinic requests by connecting employers with vaccine providers. Those interested in setting up a mobile or pop-up vaccination clinic at their workplace, or requesting group appointments at nearby providers, can complete this [online form](#). A representative from the California Department of Public Health will follow up within three business days, and requests will be filled as resources allow.

I was on a call earlier today with California Department of Food and Agriculture Secretary Karen Ross regarding the vaccine rollout in the agriculture community. The Secretary wants to hear ideas about how our workforce can have better access to, and confidence in, obtaining the vaccine as well as concerns that may be preventing agricultural employees from getting the vaccine. For example, I suggested considering Latino markets and restaurants that may also have pharmacy services as a place for setting up mobile clinics. If any of our dairy families have thoughts along these lines, please reach out to me at Kevin@MilkProducers.org and I will share your comments with Secretary Ross.

Watch the Golden State Dairy Management Webinar

Courtesy of the University of California, Division of Agriculture and Natural Resources

The University of California hosted its annual [Golden State Dairy Management Conference](#) on March 25, 2021. The event, normally held in-person, was presented online, with a recording now available online. Click on the session titles below to watch, and learn more about the conference speakers [here](#).

Session 1: Nutrition

- **Almond hulls in lactating cow diets – the story continues**
Dr. Ed DePeters, Professor of Animal Science
- **Current science of feed additives to reduce enteric methane emissions**
Dr. Ermias Kebreab, Professor of Animal Science
- **What does by-product feeding look like in California?**
Jennifer Heguy, UC Cooperative Extension Farm Advisor

Session 2: Animal Management and Health

- **Polled genetics – ready for prime time?**
Dr. Alison Van Eenennaam, UC Cooperative Extension Specialist
- **Feeding more milk – does it pay?**
Betsy Karle, UC Cooperative Extension Farm Advisor
- **To treat or not to treat – what and why?**
Dr. Richard Pereira, Assistant Professor of Clinical Livestock Herd Health

Session 3: Crop Production

- **Recharging groundwater aquifers by flooding alfalfa fields**
Dr. Helen Dalke, Associate Professor of Integrated Hydrologic Sciences
- **Realized irrigation water savings from growing forage sorghum**
Dr. Bob Hutmacher, UC Cooperative Extension Specialist
- **Growing sugar beets and safflower as dairy feed in California**
Dr. Steve Kaffka, UC Cooperative Extension Specialist

Session 4: Priority Nitrate Management Zones

- **Whole farm balance to identify manure management options**
Dr. Deanne Meyer, UC Cooperative Extension Specialist
- **Getting the most out of your...fertilizing grain forage systems with manure**
Nick Clark, UC Cooperative Extension Farm Advisor
- **Farmers' guide to irrigation management automation**
Dr. Khaled Bali, UC Cooperative Extension Irrigation Water Management Specialist

NMPF Update: Trade, Capitol Hill, Economics

By Jim Mulhern, President & CEO
[National Milk Producers Federation](#)



NMPF Calls for Action Against Canada Following USMCA Meeting

As expected, one of the key items for discussion during this week's meeting of trade ministers from the U.S., Mexico and Canada was our northern neighbor's lack of compliance with its dairy import obligations under the USMCA agreement. While U.S.

Trade Representative Katherine Tai raised the issue in this week's talks, her Canadian counterpart was noncommittal on the matter, leading National Milk to endorse a letter sent today by key members of Congress urging the USTR to hold Canada to account.

In [a letter](#) authored by Representatives Ron Kind (D-WI) and Tom Reed (R-NY), the bipartisan group of House members is urging Tai "to move forward with further enforcement action against Canada, in line with the USMCA inconsistencies identified in USTR's report."

"We appreciate you raising this important issue during the first USMCA Free Trade Commission bilateral meeting with Canada," the members of Congress said in their letter, "and we believe advancing enforcement action to require them to bring their dairy TRQ measures into compliance with USMCA would be a positive and clear reassurance that American farmers, manufacturers, workers, and everyone else that counts on faithful adherence to the trade terms so painstakingly negotiated can count on the U.S. government to stand up for them when foreign governments flout that agreement."

Leading this effort with Reps. Kind and Reed were Representatives Antonio Delgado (D-NY), Glenn 'GT' Thompson (R-PA), Suzan DelBene (D-WA), Dusty Johnson (R-SD), Jim Costa (D-CA), and David Valadao (R-CA). All in this group are keenly aware of the dairy trade challenges we face with our northern neighbor. Last December, the USTR [announced the launch](#) of formal consultations with its Canadian counterparts. No further action has been publicly announced since then.

Senate Coalition Calls for More Dairy Support

A bipartisan group of lawmakers, led by Sens. Kirsten Gillibrand (D-NY) and Jeanne Shaheen (D-NH), urged the USDA this week to increase relief to dairy farmers. In [a letter](#) to Secretary Tom Vilsack signed by 21 senators, the coalition calls attention to the impact of the COVID-19 pandemic on dairy farmers and also points out how the problematic, current Class I mover has cost more than \$725 million in income losses for dairy farmers. The letter helps amplify NMPF's contention that dairy producers are still losing revenue due to the pandemic, particularly through the inequitable Class I mover.

Latest NMPF Dairy Market Report Points to Better Milk Prices

The [May issue](#) of our Dairy Market Report finds several positive signs in recent months pointing to better prices and margins as summer approaches. Year-over-year milk production growth moderated from 2.4 percent in January to 1.8 percent in March, as the dairy cow herd begins to wind down last year's expansion cycle. Strong U.S. dairy exports have helped absorb our rising milk solids production. Still, despite the rosier outlook, immediate conditions remain challenging, with margins under the federal Dairy Margin Coverage program averaging almost \$3.00/cwt. below the maximum \$9.50 coverage level during 2021's first quarter.

**Don't Forget! The Deadline for Returning
Quota Referendum Ballots to CDFA is June 1, 2021.**

